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OUTSTANDING ACHIEVEMENTS OF VIETNAMESE RICE TRADE

Pham Cong Nghiep

Summary

This report focuses on rice trade of Vietnam and there are some reasons to choose this topic. Firstly, rice trade is important to 60% of total population of Vietnam who is living in the rural area. Secondly, rice export has been contributing significantly to the economic development of Vietnam. Finally, Vietnam supplies about 5% of world rice exports that has an important role in rice markets of the world. The main objective of this report is to analyze the current situation of rice trade of Vietnam to help policy makers, stakeholders in rice value chain to have useful information for making their informed decisions in the future to increase the value of rice tree in Vietnam.

Key words: Rice trade, Rice export, Farmers, Value chain, Vietnam

JEL: R12

Introduction

Vietnam is the 5th largest rice producer and the 3rd rice top exporter in the world. Vietnam produced 44,974,000 tons paddy, occupied 4.74% of total amount of paddy in the world (FAOSTAT, 2014), in which 70% is consumed in the domestic market and 30% is for export. Vietnam exports about 7 million tons of rice each year with the value of about 2.9 billion USD. The value of rice export accounted for 9.5% of the total turnover of agricultural and forestry export products in Vietnam in 2014.

However, rice export of Vietnam has still inadequacies and weaknesses that influence on farmers' income. This paper gives an overview of the rice industry of Vietnam and we hope that the paper will be a useful information source for policy makers and stakeholders in the rice value chain so that they have activity orientations in the future.

Material and methods

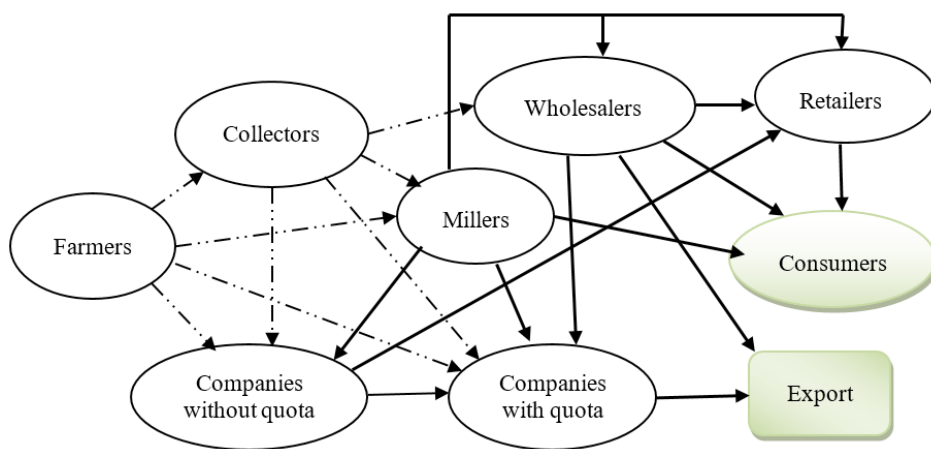
The main goal of the research is to describe the excellent performance in rice export of Vietnam. To attain this goal, we collected the secondary data from reliable sources such as General Statistic Office of Vietnam (GSO), FAOSTAT.

Results

Vietnamese rice trade system

Vietnamese rice trade system has two main tasks: Domestic trade to ensure food security and export to get foreign currency revenue for the country.

According to Pham Anh Tuan and et al the Vietnamese rice trade system is complex with a lot of different stakeholders and links: Farmers, collectors, milling facilities, the wholesalers, retailers and food companies.



1. figure: Vietnamese rice value chain

Source: Le Trong Hai, 2012

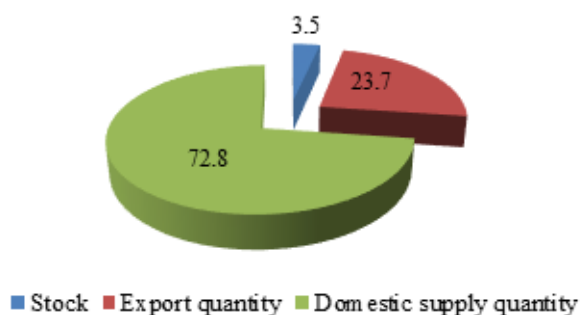
Note: —————> Milled rice channels

- - - - -> Paddy channels

Domestic market

In the domestic market channels farmers sell paddy to local traders and then they re-sell to wholesalers or local millers for processing. Milled rice is sold in local markets or returned to the farmer for subsistence needs.

The data from FAOSTAT indicates that Vietnam produced 29,374,000 tons milled rice in 2013, in which the rice amount sold in the domestic market was 21,391,000 tons milled rice (occupied 72.8%), rice export achieved 6,951,000 tons milled rice (accounted for 23.7%) and 1,032,000 tons milled rice for stock (3.5%).

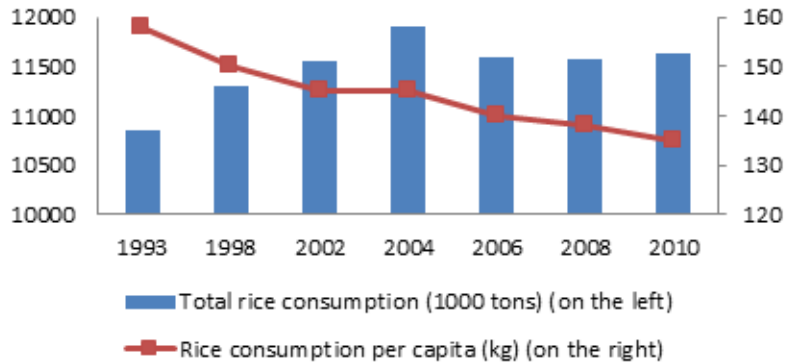


1. chart: Rice using in Vietnam in 2013 (%)

Source: FAOSTAT, 2015

Domestic consumption of rice

Rice is consumed mainly in the domestic market, about 70% of total amount of Vietnamese rice has been sold in the domestic market and 30% for export (Huynh Tuan Cuong, 2010). However, rice trade in the domestic market has a down trend because Vietnamese people are consuming many kinds of food to replace rice. Before 2004, an increase in total rice consumption as food in Vietnam was mainly generated by population growth and an increase in per capita rice consumption but since 2004 per capita consumption of rice has reduced continuously (see chart 2).

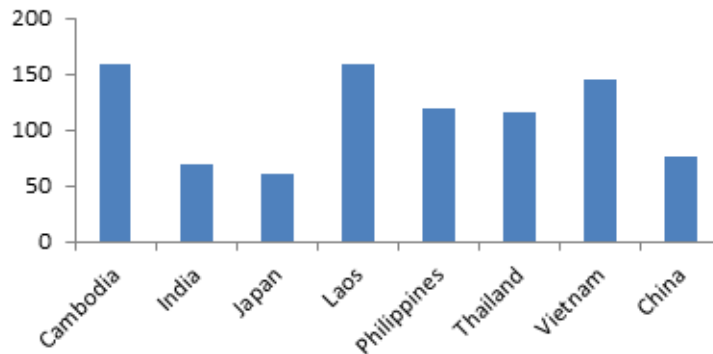


2. chart: Domestic consumption of rice in Vietnam

Source: GSO, 2015

But per capita consumption of rice is still relatively high in Vietnam compared to other countries.

The data of FAO in 2013 indicated that per capita consumption of rice in Vietnam was 145 kg, higher than it in main rice producers and exporters in the world such as China, Thailand, India. This proves that Vietnamese rice trade has still an important role in the domestic market. It ensures national food security.

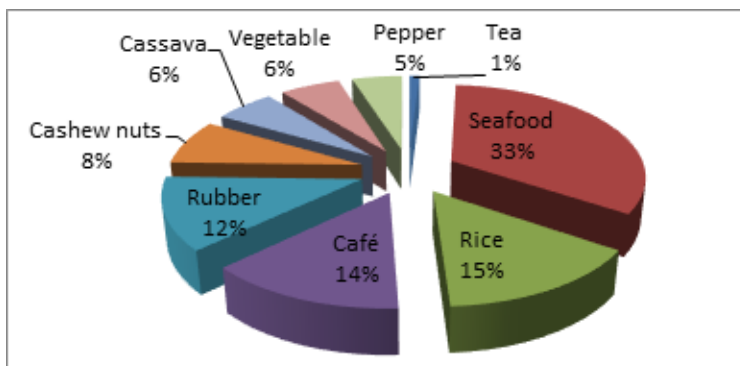


3. chart: Per capita rice consumption in some countries in 2013 (kg)

Source: FAOSTAT, 2015

Vietnamese rice export

Vietnam began to export rice from 1989 and currently rice export turnover is in second position in agricultural industry, after only fishery (See chart 4) and Vietnam is one of 3rd top rice exporters (after India and Thailand).



4. chart: Percentage of exports of some main agricultural products in Vietnam in 2013

Source: Ha Van Hoi, 2015

1. table: Rice export of some countries in 2015

Countries	Exported rice quantity (mil. tons)	Value of rice export (mil. USD)	Percentage (%)
India	10.1	4878	24.4
Thailand	9.8	4368	20.8
Vietnam	6.57	2680	18.3
Pakistan	3.4	1190	8.3
Campuchia	1.77	560	2.4

Source: Science and Technology Ministry, 2016

In the export channel, farmers sell paddy directly to an agent of the food company or to a private trader. The agents and private traders sell them to food companies with export quota for processing purpose. The food export companies process and polish rice to export.

The volume of exported rice:

Before 1989 Vietnam was a starving country, had to import rice and it only exported rice from 1989. Vietnam started to export with a stable amount of over 4.5 million milled rice in 2005 and in the past 26 years, Vietnamese rice export has been continuously expanded and rose to become the 3rd largest exporter in the world. The greatest success of Vietnamese rice export was in 2012 with an export volume of over 8 million tons and its turnover of 3.67 billion US dollars. The main reasons for the increase in Vietnamese rice export quantity are that the increase in rice production area (increase of rice harvests in a year from 2 rice harvests to 3 harvests), food export companies were active to look for and expand their export markets.

The turnover of rice export has been contributing significantly to the economic development of Vietnam.

The average rates of rice export quantity increase and turnover increase were 12%/year and 33%/year, respectively between 1990 and 2015. The turnover of rice export increased from 304.64 million USD in 1990 to 2,798.9 million USD in 2015 and the reasons for this increase are the increase in rice export quantity and in rice export prices. This price increase will be analyzed in the part below.



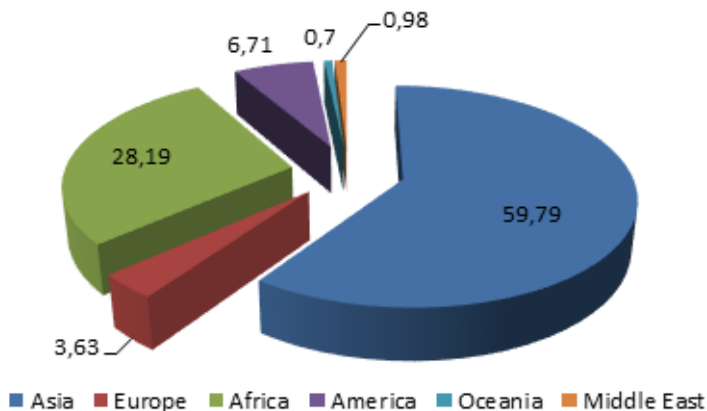
5. chart: Rice export quantity and value in Vietnam (1990–2015)

Source: GSO, 2016

Export market:

Rice export market of Vietnam is always expanded, from 43 countries in 1989, 100 countries in 1995 and the market of Vietnamese rice export has presented in over 200 countries and territories (Luong Thi Truc Phuong, 2008).

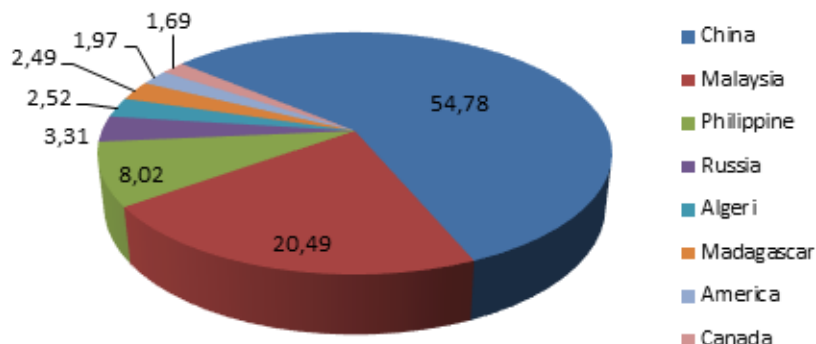
The main market of rice export of Vietnam is still Asia with a volume of 3,875 million tons, accounted for 59.79% of total quantity of export rice. The second market is Africa with an amount of 1,827 million tons, occupied 28.19%. The third market is America with 435,000 tons, occupied 6.71%; The fourth market is Europe with 236,000 tons and accounted for 3.63%; The last is the Middle East and Oceania with 64,000 tons and 46,000 tons milled rice (Pham Van Cuong, Vu Tru Phi and Nguyen Thi Lien, 2015).



6. chart: Percentage of rice export by market in 2013 (%)

Source: Pham Van Cuong et al, 2015

The main import countries of Vietnamese rice are China, Malaysia, Philippines, Russia (Ha Van Hoi, 2015 and Agriculture and Rural Development Ministry, 2014). China becomes the biggest rice importer from Vietnam because China shares border with Vietnam and Vietnamese rice could meet demands of Chinese market such as no high price. In 2013, China imported near 1.5 million tons milled rice, occupied 54.78% of total volume of rice export of Vietnam. Rice importers from Vietnam are followed by Malaysia, Philippines, Russia (Chart 7).



7. chart: Main markets of Vietnamese rice export in 2013 (%)

Source: Ha Van Hoi, 2015

The rice price on the market:

In recent years, the price of Vietnamese rice has fluctuated irregularly. When farmers have a good crop, the rice price is low and in contrast when having poor crops, pests and diseases, the rice price rises. So farmers are disadvantaged in the rice value chain.

According to Science and Technology Ministry, the average export prices were 483 USD for a ton of Vietnamese aromatic rice, 353 USD for a ton of 5% broken Vietnamese rice and 334 USD for a ton of 25% broken Vietnamese rice in 2014. The average export prices of Vietnamese rice is often lower than in the world market because of low quality of Vietnamese rice. However, a good thing is that rice export prices of Vietnam for the last 25 years have always had an uptrend, especially rice export prices of Vietnam were above the average prices of global rice since 2014 (see chart 8). This proves that the quality of Vietnamese rice has increasingly improved year by year.



8. chart: Rice export average price of Vietnam and the world

Source: Owned calculated from data of GSO and Indexmundi

Conclusions

Vietnamese rice trade attained outstanding outcomes. After 30 years of “Reform” process from a country that had to import rice Vietnam has become one of 3 top exporters in the world. Rice industry in Vietnam has supplied rice to the domestic market to ensure national food security and to stabilize its society and economy. In addition, the quantity of rice export has increased remarkably to contribute to Vietnamese development.

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